

Key Facts			FCAARF	RBA Cash
Strategy	Market Neutral	1 Month Return	0.86%	0.38%
Domicile	Australia	YTD	-0.34%	2.85%
Min. Investment	\$A100,000	Annualised Return p.a.	9.37%	5.50%
Management Fee	1.5% p.a.	Best month	3.63%	0.60%
Performance Fee	20% p.a. with high water mark	Worst month	-1.60%	0.00%
Min. Term	1 Month	% Positive months	86.36%	100%
Redemption	Monthly	Last 24 months	12.35%	8.27%
Prime Broker	UBS	Std Deviation	3.11%	0.38%
Administrator	Kingsway Taitz	Sharpe	1.24	-
Auditor	Ernst & Young	Sortino	3.00	-

Market and Electorate Remain In Limbo

August proved a challenging month for the Australian equity market and the Australian electorate.

The month ended with both leading political parties attempting to form a government through negotiations with newly elected independents following the August 21st Federal Election. This uncertainty did not aid the equity market; the ASX 200 finished down 1.9% but interestingly it outperformed most of the leading global indices (Dow Jones -4.3%, Nikkei -7.5%, DAX -3.6%).

Market leaders Telstra Corporation (TLS) and BHP Billiton (BHP) weighed heavily on the market during the month.

TLS (-14.6%) delivered its full year results largely in line with expectations but profit guidance was downbeat with concerns being raised about the company's ability to maintain its current dividend level. This commentary saw the share price break the \$3.00 level again. The Federal opposition's telecommunications policy was expected to provide some optimism but this was again a false dawn and combined. Telstra also went "ex-dividend" \$0.14 and this saw the shares trade to a record low of \$2.74, and they finished the month just \$0.01 higher at \$2.75.

BHP (-7.6%) surprised the market with a USD 40 billion all cash bid for Canadian fertiliser group Potash Corporation of Saskatchewan Inc (POT: CN). This bid represents in excess of 30% of BHP's current market capitalisation. As such, it has raised significant concerns amongst investors regarding management's strategy in potentially having to pay up to complete the transaction as well as the possibility of future "surprise" transactions or strategies.

Our option portfolio benefited from the BHP volatility but we had expected the TLS share price to find more support leading up to the dividend payment which was an opportunity lost.

The reporting season was somewhat mixed but this provided for a number of opportunities in our option trading. The standout was Woolworths (WOW +7.6%) after they delivered a good result and surprised the market with a selective buyback sparking a strong rally on the day of option expiry.

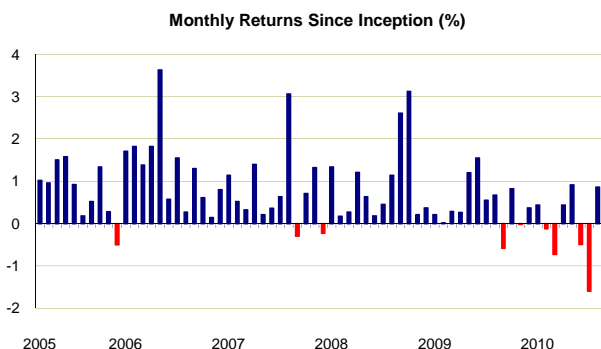
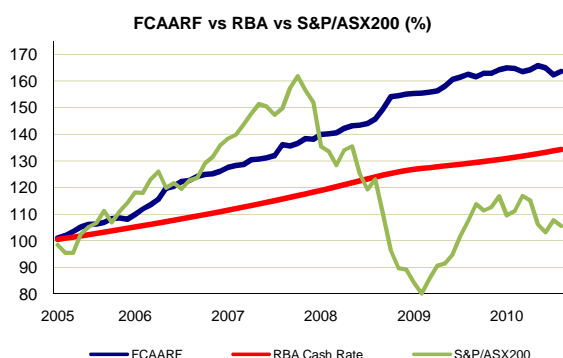
We also benefited from a structural mispricing in Alumina Limited (AWC) options as it appeared some traders were surprised by the company paying a full year dividend.

The completion of the Lihir Gold (LGL) scheme of arrangement with Newcrest Mining (NCM) was the most significant M & A portfolio development during the month in both exposure and profitability. We expect that there will be some trading opportunities in NCM post the deal as LGL holders await delivery of new shares.

We continue to be encouraged by the amount of Australian M & A activity. We had four deals complete in September and added four new positions. A more tentative political environment and a recent history of relatively high failure rates in this space has seen a more conservative approach from some traditional participants (ourselves included) but valuations, consolidation and international demand for resource exposure (particularly gold) is providing an array of events to help diversify risks.

Yield generated good performance for the month after Fairfax reported a strong result and indicated that the Convertible Pref's (FXJPB) will most likely be redeemed in April next year. Bank of Queensland also announced that their Reset Pref will convert into stock at a discount over the September/October 2010 pricing period, and as such we continue to add to our position. Whilst there are relatively few deals that suit our targeted structure at present, we continue to monitor the space closely in an effort to identify mispricings and gauge the market sentiment of corporate credit risk.

Performance after fees (%)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	0.44	-0.13	-0.73	0.43	0.91	-0.49	-1.60	0.86					-0.34
2009	0.21	0.01	0.28	0.26	1.20	1.55	0.55	0.67	-0.58	0.82	-0.02	0.82	5.93
2008	1.34	0.17	0.27	1.21	0.63	0.18	0.45	1.14	2.61	3.12	0.21	0.37	12.29
2007	1.14	0.52	0.32	1.40	0.21	0.36	0.63	3.06	-0.30	0.71	1.32	-0.23	9.48
2006	1.71	1.82	1.38	1.82	3.63	0.57	1.55	0.27	1.30	0.61	0.14	0.80	16.71
2005			1.02	0.96	1.50	1.58	0.92	0.18	0.52	1.34	0.28	-0.50	8.06



FUND OVERVIEW

The Fortitude Capital Australian Absolute Return Fund (FCAARF) is an Australian Market Neutral Fund which deals in listed securities and derivatives over those securities. The investment focus is neutrality with a long gamma overlay. Short term opportunities, event situations and share class mispricing are targeted to generate low risk returns.

The long volatility overlay allows for more aggressive positioning within the Fund's other strategies: Long Short, Mergers and Acquisitions, Convergence and Yield.

The market provides opportunities and management provides the strategic overlay.

Risk management is a major focus.

Trading stops are implemented based on price and time along with continual hedging of positions at relatively low execution costs.

INVESTMENT MANAGER

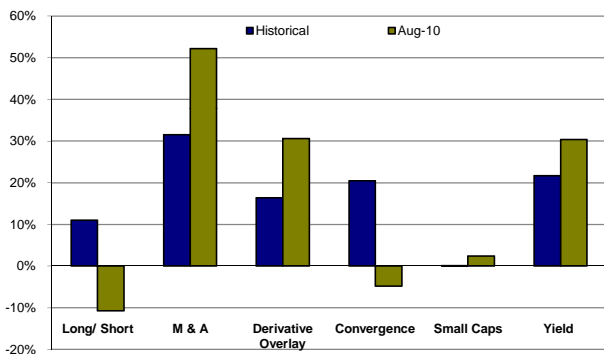
Fortitude Capital Pty Ltd is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With in excess of \$550 million in funds under management/administration, Aurora was listed on the ASX in July 2010 under the ASX Code: AFV.

The Aurora Group provides asset management and responsible entity/trustee services for over 3,500 Australian and New Zealand investors.

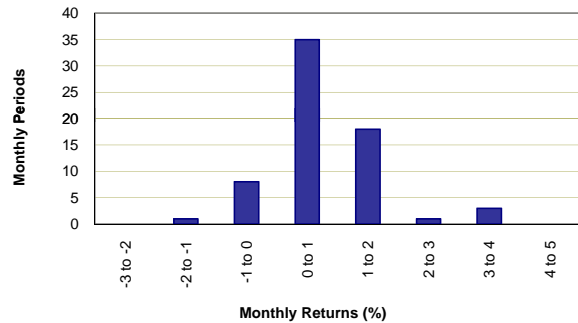
Aurora is also the issuer and/or distributor of the:

- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Sandringham Australian Equity Income Trust (ASX Code: ABW)
- Aurora Sandringham Global Income Trust (ARSN 131 291 499)
- Aurora Global Infrastructure Income Trust (ASX code: AIB)
- Aurora Property Buy-Write Income Trust (ASX code:AUP)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)
- CORALS Commodities Fund (ARSN 131 196 882)

Profit & Loss Contribution by Strategy

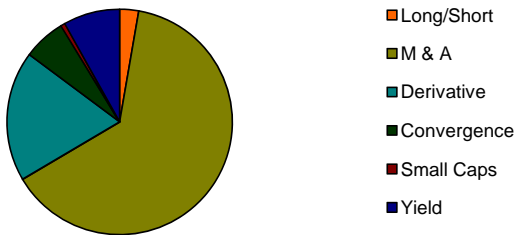


Distributions of Returns

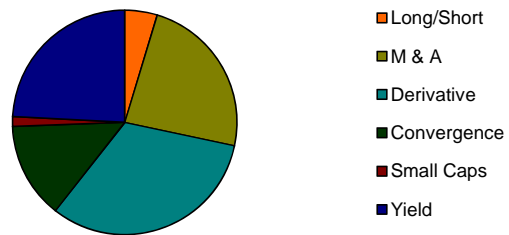


Strategy Weightings

August 2010



Historical



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